



Statutory auditor's report to the general meeting of Kinopolis Group NV on the annual accounts as of and for the year ended 31 December 2019

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

In the context of the statutory audit of the annual accounts of Kinopolis Group NV ("the Company"), we provide you with our statutory auditor's report. This includes our report on the annual accounts for the year ended 31 December 2020, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 8 May 2019, in accordance with the proposal of the supervisory board issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2021. We have performed the statutory audit of the annual accounts of Kinopolis Group NV for 22 consecutive financial years.

Report on the annual accounts

Unqualified opinion

We have audited the annual accounts of the Company as of and for the year ended 31 December 2020, prepared in accordance with the financial reporting framework applicable in Belgium. These annual accounts comprise the balance sheet as at 31 December 2020, the income statement for the year then ended and notes. The balance sheet total amounts to EUR 620.513.240 and the income statement shows a profit for the year of EUR 53.947.276.

In our opinion, the annual accounts give a true and fair view of the Company's equity and financial position as at 31 December 2019 and of its financial performance for the year then ended in accordance with the financial reporting framework applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the annual accounts" section of our report. We have complied with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the independence requirements.

We have obtained from the supervisory board and the Company's officials the explanations and information necessary for performing our audit.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – COVID-19

We draw attention to note 6.14 'nature and financial impact of significant events after the closing date not reflected in the balance sheet or income statement' to the annual accounts where the board of directors describes the impact of the corona - COVID-19 pandemic on the operating profit of the group.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of investments in subsidiaries

We refer to notes 6.4.1 and 6.15 of the annual accounts.

— *Description*

The Company is the ultimate parent of the Kinopolis Group. In this capacity, it owns investments in subsidiaries, which are valued at historical cost, unless management assesses that a permanent impairment or devaluation exists. Based on Belgian accounting principles, investments in subsidiaries are subject to an annual impairment test in the framework of the preparation of the annual accounts.

Management applied the following approach to assess whether these investments in subsidiaries are subject to impairment. The net book value of each investment is being compared to the proportion of net assets owned by the Company in the related subsidiary. To assess whether the impairment is permanent, management takes into account recent financial information of the subsidiary, budgeted future performances and, if applicable, other elements.

— This matter is a key audit matter because of:

- the significance of the balance (71,2% of total assets), and
- management judgement involved in the assessment of the permanent nature of the impairment of the investments in subsidiaries.

— *Our audit procedures*

Amongst other things, we performed the following audit procedures:

- we have agreed key data used by management in its analysis, to underlying evidence, notably, the net asset position, the percentage of ownership and any other relevant financial information
- when elements were identified for a possible permanent impairment or devaluation, we challenged key inputs and data used in the valuation

model used by management, such as forecasted revenues, operating costs, maintenance capital expenditure, and respective weighted average cost of capital based on our knowledge of the business and the cinema industry. We assessed the Company's historical ability to forecast cash flows, and challenged the reasonableness of current forecasts given the future strategy of the Company and our understanding of the Company's past performance

- we verified the mathematical accuracy of the discounted cash flow model
- we performed sensitivity analyses on the respective weighted average cost of capital and the forecasted cash flows used by the Company to assess what change thereto would result in a different conclusion being reached, and assessing whether there were any indications of management bias in the selection of these assumptions.

Supervisory board's responsibilities for the preparation of the annual accounts

The supervisory board is responsible for the preparation of these annual accounts that give a true and fair view in accordance with the financial reporting framework applicable in Belgium, and for such internal control as supervisory board determines, is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the supervisory board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the supervisory board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance as to whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these annual accounts.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the annual accounts in Belgium. The scope of the statutory audit of the annual accounts does not extend to providing assurance on the future viability of the Company nor on the efficiency or effectivity of how the supervisory board has conducted or will conduct the business of the Company.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:



- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by supervisory board;
- Conclude on the appropriateness of supervisory board 's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the Supervisory board

The supervisory board is responsible for the preparation and the content of the annual report on the annual accounts, of the documents required to be filed in

accordance with the legal and regulatory requirements, for maintaining the Company's accounting records in compliance with the applicable legal and regulatory requirements, as well as for the Company's compliance with the Companies' Code or, as from January 1, 2020, the Companies' and Associations' Code and the Company's articles of association.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the annual report on the annual accounts, certain documents to be filed in accordance with legal and regulatory requirements and compliance with certain requirements of the Companies' Code or, as from January 1, 2020, the Companies' and Associations' Code and with the Company's articles of association, and to report on these matters.

Aspects concerning the annual report on the annual accounts

Based on specific work performed on the annual report on the annual accounts, we are of the opinion that this report is consistent with the annual accounts for the same period and has been prepared in accordance with articles 3:5 and 3:6 of the Companies' and Associations' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the annual report on the annual accounts contains material misstatements, that is information incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:6 §4 of the Companies' and Associations' Code has been included in the annual report on the annual accounts. The Company has prepared this non-financial information based on ISO26000. In accordance with art 3:75 §1, 1st paragraph, 6° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the mentioned ISO26000.

Information regarding the social balance sheet

The social balance sheet, which is to be filed with the National Bank of Belgium in accordance with article 3:12 §1 8° of the Companies' and Associations' Code, includes, with respect to form and content, the information required by law and does not present any material inconsistencies with the information that we became aware of during the performance of our engagement.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the annual accounts and our audit firm remained independent of the Company during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit of the annual accounts referred to in article 3:65 of the



Companies' and Associations' Code were correctly stated and disclosed in the notes to the annual accounts.

Other aspects

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- We do not have to inform you of any transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' Code or, as from January 1, 2020, the Companies' and Associations' Code.
- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.
- The decision of the supervisory board of 19 March 2019 relating to the proposal of the Nomination and Remuneration Committee with respect to the evaluation of the management objectives for 2018 for Executive Management and the allocation of the resulting variable remuneration for 2018, has the following financial consequences: a variable remuneration linked to qualitative and qualitative objectives amount to EUR 412.250 to Mr. Eddy Duquenne, which was charged to the income statement.
- The decision of the supervisory board of 25 June 2019 relating to the proposal of the Nomination and Remuneration Committee with respect to the determination of the management objectives for Executive Management for 2019 and the resulting variable remuneration, will have the following maximum financial consequences for the Company: EUR 485.000, which will be charged to the income statement and which will be based on achieving the predetermined management objectives.

Antwerp, 3 April 2020

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Serge Cosijns
Réviseur d'Entreprises / Bedrijfsrevisor